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ANIMAL RESCUE FUND OF THE HAMPTONS, INC.

FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2025 AND 2024

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ANIMAL RESCUE FUND OF THE HAMPTONS, INC.
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AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2025 AND 2024

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NawrockiSmith

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Animal Rescue Fund of the Hamptons, Inc.:

Opinion

We have audited the accompanying financial statements of Animal Rescue Fund of the Hamptons, Inc. ("ARF", a nonprofit organization), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Animal Rescue Fund of the Hamptons, Inc. as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ARF to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ARF's ability to continue as a going concern within one year after the date of the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ARF's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ARF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Hauppauge, New York
August 1, 2026

Nawrocki Smith LLP

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ANIMAL RESCUE FUND OF THE HAMPTONS, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2025 AND 2024

ASSETS	2025	2024
CURRENT ASSETS:		
Cash and cash equivalents	$ 3,581,796	$ 1,625,386
Investments	3,808,393	3,235,822
Accounts receivable	2,078,816	336,259
Contributions receivable, net, current portion	43,044	1,022,096
Mortgage receivable, current portion	-	7,236
Inventory	36,100	28,183
Prepaid expenses and other assets	22,222	20,171
Total current assets	9,570,371	6,275,153
Fixed assets, net	22,130,700	22,623,699
Right-of-use assets, net - financing	10,799	7,339
Restricted investments	1,000,000	1,000,000
Total assets	$ 32,711,870	$ 29,906,191
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Construction project loan	$ -	$ 502,003
Accounts payable and accrued expenses	235,400	244,532
Current portion of lease liabilities - financing	3,362	3,573
Deferred revenue	1,642,655	687,805
Total current liabilities	1,881,417	1,437,913
Lease liabilities, net of current portion - financing	7,744	4,029
Total liabilities	1,889,161	1,441,942
NET ASSETS:		
Without donor restrictions:		
Board designated for ARF Securing Our Future Campaign	4,406,775	3,881,359
Board designated for Fixed Assets	22,130,700	22,245,691
Undesignated	3,021,642	-
Total net assets without donor restrictions	29,559,117	26,127,050
With donor restrictions	1,263,592	2,337,199
Total net assets	30,822,709	28,464,249
Total liabilities and net assets	$ 32,711,870	$ 29,906,191

The accompanying notes to financial statements are an integral part of these statements.

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ANIMAL RESCUE FUND OF THE HAMPTONS, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT:						
Contributions	$ 4,572,355	$ 104,578	$ 4,676,933	$ 3,473,530	$ 8,023	$ 3,481,553
Special events, net of direct expenses	1,594,707	-	1,594,707	1,255,387	-	1,255,387
In-kind donations	66,627	-	66,627	528,311	-	528,311
Donated goods	524,815	-	524,815	564,694	-	564,694
Total public support	6,758,504	104,578	6,863,082	5,821,922	8,023	5,829,945
REVENUES:						
Investment return, net	587,206	-	587,206	528,270	-	528,270
Obedience training	113,660	-	113,660	111,636	-	111,636
Adoptions	83,910	-	83,910	84,600	-	84,600
Other income	66,601	-	66,601	36,831	-	36,831
Operation Cat	68,142	-	68,142	10,455	-	10,455
Total revenues	919,519	-	919,519	771,792	-	771,792
Total public support and revenues	7,678,023	104,578	7,782,601	6,593,714	8,023	6,601,737
EXPENSES:						
Program services	4,290,268	-	4,290,268	3,933,940	-	3,933,940
Administration	193,304	-	193,304	185,629	-	185,629
Fundraising	940,569	-	940,569	916,540	-	916,540
Total expenses	5,424,141	-	5,424,141	5,036,109	-	5,036,109
Excess (deficiency) of revenues over (under) expenses	2,253,882	104,578	2,358,460	1,557,605	8,023	1,565,628
Net assets released from restrictions	1,178,185	(1,178,185)	-	13,339,312	(13,339,312)	-
CHANGE IN NET ASSETS	3,432,067	(1,073,607)	2,358,460	14,896,917	(13,331,289)	1,565,628
NET ASSETS, BEGINNING OF YEAR	26,127,050	2,337,199	28,464,249	11,230,133	15,668,488	26,898,621
NET ASSETS, END OF YEAR	$ 29,559,117	$ 1,263,592	$ 30,822,709	$ 26,127,050	$ 2,337,199	$ 28,464,249

The accompanying notes to financial statements
are an integral part of these statements.

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ANIMAL RESCUE FUND OF THE HAMPTONS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025				2024			
	Program Services	Administration	Fundraising	Total	Program Services	Administration	Fundraising	Total
Salaries	$ 2,070,627	$ 25,883	$ 491,774	$ 2,588,284	$ 1,715,721	$ 21,718	$ 434,360	$ 2,171,799
Depreciation and amortization	536,547	6,707	127,430	670,684	330,103	4,179	83,570	417,852
Employee benefits	366,728	4,584	87,098	458,410	341,052	4,317	86,342	431,711
Payroll taxes	190,105	2,376	45,150	237,631	153,179	1,939	38,779	193,897
Repairs and maintenance	189,183	2,365	44,931	236,479	121,009	1,532	30,635	153,176
Medical	225,290	-	-	225,290	215,520	-	-	215,520
Utilities	123,001	1,538	29,213	153,752	107,742	1,364	27,277	136,383
Professional fees	-	143,800	-	143,800	-	139,802	-	139,802
Contracted services	85,130	1,064	20,218	106,412	90,479	1,145	22,906	114,530
Animal supplies	104,503	-	-	104,503	97,987	-	-	97,987
Insurance	77,417	968	18,387	96,772	66,147	837	16,746	83,730
Processing fees	66,495	831	15,793	83,119	52,775	668	13,361	66,804
Office supplies	55,135	689	13,094	68,918	38,890	492	9,845	49,227
In-kind donations	53,302	666	12,659	66,627	417,366	5,283	105,662	528,311
Information technology	33,151	414	7,873	41,438	32,929	417	8,336	41,682
Printing and postage	31,963	400	7,591	39,954	34,162	432	8,649	43,243
Transportation	24,126	302	5,730	30,158	27,554	349	6,975	34,878
Miscellaneous	22,399	280	5,321	28,000	25,014	317	6,332	31,663
Telephone and internet	13,630	170	3,237	17,037	12,642	160	3,200	16,002
Advertising	10,282	129	2,442	12,853	8,231	104	2,084	10,419
Equipment	6,354	79	1,509	7,942	9,087	115	2,301	11,503
Dues and subscriptions	1,977	25	470	2,472	1,819	23	460	2,302
Licenses and fees	1,302	16	309	1,627	1,261	16	319	1,596
Storage	1,210	15	287	1,512	2,128	27	539	2,694
Interest	226	3	53	282	31,052	393	7,861	39,306
Education	185	-	-	185	92	-	-	92
Total	$ 4,290,268	$ 193,304	$ 940,569	$ 5,424,141	$ 3,933,941	$ 185,629	$ 916,539	$ 5,036,109

The accompanying notes to financial statements
are an integral part of these statements.

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ANIMAL RESCUE FUND OF THE HAMPTONS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 2,358,460	$ 1,565,628
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	670,684	417,852
Financing lease	283	94
Unrealized gain on investments	(189,483)	(163,641)
Realized gain on investments	(24,251)	(169,560)
(Increase) decrease in assets:		
Contributions receivable	979,052	1,115,384
Accounts receivable	(1,742,557)	5,096
Inventory	(7,917)	4,173
Prepaid expenses and other assets	(2,051)	(2,255)
Security deposits	-	200
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(9,132)	60,694
Deferred revenue	954,850	620,192
Net cash provided by operating activities	2,987,938	3,453,857
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments on mortgage receivable	7,236	13,860
Purchase of investments	(541,274)	(768,228)
Sale of investments	182,437	798,787
Increase in construction-in-progress	-	19,245,460
Purchase of fixed assets	(174,101)	(19,741,243)
Net cash used in investing activities	(525,702)	(451,364)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment on construction project loan	(502,003)	(1,146,225)
Payment on line of credit	-	(1,065,500)
Reduction of finance lease liability	(3,823)	(2,916)
Net cash used in financing activities	(505,826)	(2,214,641)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,956,410	787,852
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,625,386	837,534
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,581,796	$ 1,625,386
SUPPLEMENTAL CASH FLOW INFORMATION:		
Right-of-use assets obtained in exchange for finance lease liability	$ 7,046	$ 6,019
CASH PAID DURING THE YEAR FOR:		
Interest	$ 282	$ 39,306

The accompanying notes to financial statements
are an integral part of these statements.

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(1) Organization and nature of activities:

Animal Rescue Fund of the Hamptons, Inc. ("ARF") was founded in 1974 in East Hampton, New York, as a shelter and adoption center for homeless animals on Long Island's East End. ARF is a no-kill shelter where animals are only euthanized in cases of untreatable and debilitating illness or severe, dangerous behavior. Since its founding, ARF has extended the reach of its adoption program to families across Long Island to New York City, and its rescue work has transported thousands of cats and dogs from communities across the nation where animal over-population results in euthanasia of cats and dogs for space in municipal shelters. Through a vast network of volunteers Operation Cat ("Op Cat") humanely reduces the growing number and needless suffering of homeless, feral and stray cats by using an effective trap/neuter/return strategy ("TNR"). Volunteer caretakers provide food, water and shelter for over 1,000 cat colonies, ranging in size from two to thirty cats. They trap the cats, bring them to the Adoption Center where they are altered and vaccinated, and then release them back to their colony. One of the cat's ears is notched to identify it as an altered cat so it is not mistakenly trapped again. Since the program's inception in 1997, over 35,000 feral cats from Speonk to Montauk and most recently Brookhaven township have been altered. ARF's Op Cat program offers free spay/neuter surgeries for free roaming cats trapped in the Towns of East Hampton, Southampton, Shelter Island and Brookhaven.

(2) Summary of significant accounting policies:

The accompanying financial statements include the assets, liabilities, revenues and expenses of ARF which are presented under the accrual basis of accounting. The following is a summary of significant accounting policies followed by ARF.

Basis of accounting and financial statement presentation -

The accompanying financial statements include the accounts of ARF's programs, administration and fundraising. ARF presents its financial statements in accordance with U.S. generally accepted accounting principles ("GAAP"), which require that ARF's financial statements distinguish net assets and changes in net assets between those with and without donor restrictions. ARF's net assets consist of the following:

Without donor restrictions - net assets which have not been restricted by an outside donor or by law and are therefore available for use in carrying out the operations of ARF. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

With donor restrictions - net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity, but allows for the expenditure of net investment income and gains earned on the corpus for either specified or unspecified purposes. ARF has elected to show restricted support for which restrictions are met in the same reporting period as support within net assets without donor restrictions.

Cash and cash equivalents -

All highly liquid investments purchased with an original maturity of three months or less from the date of purchase are considered to be cash equivalents for financial statement purposes.

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(2) Summary of significant accounting policies (continued):

Contributions receivable, net -

Contributions receivable are recognized as support in the period pledged and are recorded at the present value of estimated cash flows. The discount of these amounts is computed using a risk-adjusted rate applicable to the years in which the promises are to be received. Amortization of the discount is recorded as an addition to contribution revenue in accordance with donor-imposed restrictions. As of December 31, 2025 and 2024, the discount for contributions receivable totaled $6,956 and $102,904, respectively. This resulted in a net contributions receivable as of December 31, 2025 and 2024 of $43,044 and $1,022,096, respectively.

Inventory -

Inventory consists of donated goods held for resale that is stated at the lower of cost or net realizable value.

Investments -

All investments are presented at fair value. Fair values are based on quoted market prices, if available, or estimated using observable market inputs for similar securities. Realized and unrealized gains and losses on investments are determined by comparison of the actual cost to the proceeds at the time of the disposition or market values as of the end of the financial statement period. See Note 4 for discussion of fair market value.

Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the Statement of Activities and Changes in Net Assets as increases or decreases in net assets without donor restrictions unless the use was restricted by explicit donor stipulations or by law. Investment income includes interest, recognized on the accrual basis and dividends which are recognized on the ex-dividend date.

Fixed assets -

Fixed assets consist of building improvements, vehicles, furniture, fixtures and equipment, which are capitalized at cost, or if acquired by gift, at the estimated fair value at the date of donation. Such gifts are reported as unrestricted support unless the donor has restricted the donated assets for a specific purpose.

ARF follows the practice of capitalizing all expenditures in excess of $1,000 with a useful life greater than one year. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	31-40 years
Equipment and fixtures	5-20 years
Vehicles	5 years
Website	3 years

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(2) Summary of significant accounting policies (continued):

Impairment of long-lived assets and long-lived assets to be disposed of -

ARF follows the provisions of the FASB ASC on accounting for the impairment or disposal of long-lived assets which require that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. These principles did not have a material impact on ARF's financial position, results of activities or liquidity during the years ended December 31, 2025 and 2024.

Conditional asset retirement obligations -

The FASB ASC on accounting for conditional asset retirement and environmental obligations requires ARF to recognize a liability for the fair value of its legal obligation to perform an asset retirement activity, even though uncertainty exists about the timing and/or method of settlement, if and when the fair value of the liability can be reasonably estimated. As of December 31, 2025 and 2024, ARF has met the provisions of and is in compliance with these requirements and no obligation currently exists.

Right-of-use assets and lease liabilities -

ARF complies with the provisions of FASB Accounting Standards Update (“ASU”) No. 2016-02, *Leases* (“Topic 842”). All leases entered into during the year were also required to be recognized and measured. In applying Topic 842, ARF made an accounting policy election not to recognize the right-of-use assets and lease liabilities relating to short-term leases.

ARF determines if an arrangement is or contains a lease at inception. ARF’s financing lease arrangement is comprised of a postage and copy machine. Right-of-use (“ROU”) assets represent ARF’s right to use the underlying asset for the lease terms and lease liabilities represent ARF’s obligation to make lease payments arising from the leases. ROU assets and lease liabilities are recognized at the commencement date based on the present value of the lease payment over the lease terms. As ARF’s leases do not provide an implicit rate and the implicit rate is not readily determinable, ARF estimates its incremental borrowing rate based on the information available at the commencement date in determining the present value of the lease payments. The ROU assets also exclude lease incentives.

Revenue recognition -

ARF recognizes revenue in accordance with FASB ASC Topic 958, *Not-for-Profit Entities*, as amended by ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, and ASC Topic 606, *Revenue from Contracts with Customers*, as applicable.

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(2) Summary of significant accounting policies (continued):

Revenue recognition (continued) -

Contributions and Grants -

Contributions, including unconditional promises to give, are recognized as revenue when the related promise is received. Contributions are recorded as without donor restrictions or with donor restrictions depending on the existence and nature of donor-imposed restrictions. Donor-restricted contributions whose restrictions are satisfied in the same reporting period in which the contribution is recognized are reported as increases in net assets without donor restrictions. Conditional contributions, including grants and promises to give containing measurable performance-related or other barriers and a right of return or release, are not recognized until the conditions on which they depend have been substantially met. When donor-imposed purpose or time restrictions are satisfied, the related net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Revenue from Contracts with Customers -

Revenue subject to ASC 606 consists primarily of special event revenue, adoption fees, obedience training fees, Operation Cat program fees, and other exchange transactions.

Revenue is recognized when control of the promised goods or services is transferred to the customer in an amount that reflects the consideration ARF expects to receive in exchange for those goods or services.

Special event revenue includes both a contribution component and an exchange component. The contribution component represents the excess of the amount paid by the donor over the fair value of the goods and services received and is recognized as contribution revenue in accordance with ASC 958. The exchange component is recognized as revenue when the related event occurs and the associated performance obligations have been satisfied.

Adoption fees are recognized at the point in time an animal is adopted, as this represents the point at which ARF has fulfilled its performance obligation.

Obedience training revenue is recognized as training services are provided.

Operation Cat and other program revenues are recognized as the related services are performed.

Amounts received in advance of satisfying performance obligations are recorded as deferred revenue in the accompanying Statements of Financial Position.

In-kind donations -

Noncash donations are recorded as contributions at their fair market value at their date of donation. ARF reports the donations as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets must be used, and gifts of cash or other assets that must be used to acquire long-lived assets must be maintained. ARF reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. See Note 9 for more information.

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(2) Summary of significant accounting policies (continued):

Donated assets -

Donated marketable securities and other noncash donations are recorded as contributions, at their estimated fair values, at their dates of donation.

Donated services -

ARF benefits from volunteer services in program, fundraising, and administrative duties from board members and other volunteers. Even though these donated services are valuable to ARF, and help to advance ARF's mission, no amounts have been reflected in the financial statements for such contributed services inasmuch as such services do not meet the criteria for recognition in the financial statements nor do they create or enhance nonfinancial assets.

Functional expenses -

Expenses are recognized when incurred. The Statements of Functional Expenses report certain categories of expenses that are attributable to one or more program or supporting functions of ARF. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Direct program expenses are reported in their respective functional categories. The significant expenses that are allocated include: salaries, employee benefits, payroll taxes, repairs and maintenance and medical costs which are allocated on the basis of estimates of time and effort. Depreciation and amortization are allocated on the basis of square footage and use, and all other expenses are allocated on a systematic and rational basis.

Income taxes -

ARF qualifies as a tax exempt not-for-profit organization under Internal Revenue Code ("IRC") Section 501(c)(3) and applicable New York State tax laws. Accordingly, no provision for federal or state income taxes is required.

Uncertainty in income taxes -

ARF recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that ARF had no uncertain tax positions that would require financial statement recognition. ARF is no longer subject to examination by the applicable taxing jurisdictions for tax years prior to 2022.

The use of estimates in preparation of financial statements -

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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(3) Liquidity considerations

Quantitative

As of December 31, 2025, ARF has $9,248,457 of current assets available to meet cash needs for program and supporting services expenditures within one year of the Statement of Financial Position date. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for expenditures within the ensuing fiscal year.

Qualitative

As part of ARF's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, ARF has a committed line of credit in the amount of $2,000,000, which it could draw upon.

(4) Fair value measurement:

The FASB fair value measurement standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. ARF has adopted the standard for its financial assets and liabilities measured on a recurring and nonrecurring basis.

Fair value measurement defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. The three levels of fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reported entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

ARF's financial instruments consist of mutual funds only. The fair value and historical cost of ARF's mutual funds as of December 31, 2025 and 2024 were as follows:

	2025		2024	
	Fair Value	Cost	Fair Value	Cost
Mutual funds	$ 4,808,393	$ 4,002,039	$ 4,235,822	$ 3,618,951

ARF's investments are measured at fair value by level 1 valuation methodology. As of December 31, 2025 and 2024, ARF did not possess any level 2 or 3 type of investments.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. ARF utilizes valuation techniques designed to maximize observable inputs and minimize unobservable inputs.

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(4) Fair value measurement (continued):

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2025 and 2024.

Mutual funds are measured using quoted market prices at the report date multiplied by the quantity held. The carrying value equals fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although ARF believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(5) Fixed assets:

Fixed assets as of December 31, 2025 and 2024 are comprised of the following:

	2025	2024
Land	$ 384,432	$ 384,432
Buildings and improvements	25,671,268	25,599,730
Equipment and fixtures	206,714	190,005
Vehicles	592,314	545,084
Website	14,000	2,875
	26,868,728	26,722,126
Less: accumulated depreciation	4,738,028	4,098,427
Fixed assets, net	$ 22,130,700	$ 22,623,699

Depreciation expense on fixed assets for the year ended December 31, 2025 and 2024 was $667,099 and $414,920, respectively.

(6) Inventory:

ARF has a thrift store in Sagaponack, New York to sell clothing, furniture, and other goods donated by the general public. ARF records all such donated items at their estimated fair values at the dates of donation and later resells such items for an amount that approximates their donated values. During 2025 and 2024, ARF received donated inventory with an estimated fair value of $524,815 and $564,694, respectively. Any unsold items are maintained within inventory at estimated fair value. ARF collects sales taxes from customers of this thrift store and remits these amounts to applicable taxing authorities.

(7) Assigned mortgage receivable:

ARF received an assigned mortgage receivable in February 1996 with imposed donor restrictions. The value of the donated mortgage at the date of donation was $203,550. The balance at December 31, 2025 and 2024 was $0 and $7,236, respectively. ARF collected monthly installments of $1,229, including interest of 6.00%, with satisfaction of the mortgage in June 2025.

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(8) Contributions receivable, net:

Contributions receivable consist of unconditional promises to give. The significant majority of which are donor restricted and are as follows as of December 31, 2025 and 2024:

	2025	2024
Contributions receivable	$ 50,000	$ 1,125,000
Less: unamortized discount	(6,956)	(102,904)
Net contributions receivable	$ 43,044	$ 1,022,096
Amounts due in:		
One year or less	$ 43,044	$ 1,022,096

Discount rates used to calculate the net present value of the contributions ranged from 2.26% to 5.12%.

(9) In-kind donations:

The in-kind donations as of December 31, 2025 and 2024 are comprised of the following:

Source	Purpose	2025	2024
Various	Supplies	$ 66,627	$ 14,918
Marders	Landscaping	-	513,393
		$ 66,627	$ 528,311

ARF recognized the in-kind donation within revenue. Unless otherwise noted, the in-kind donation did not have donor-imposed restrictions. In-kind donated services were comprised of landscaping services including plant beds, walking trails, and transplants as well as every day supplies used by ARF.

(10) Leases:

ARF evaluated current contracts to determine which met the criteria of a lease. The ROU assets represent ARF's right to use the underlying assets for the lease terms, and the lease liabilities represent ARF's obligation to make lease payments arising from these leases.

The ROU assets and lease liabilities were calculated based on the present value of future lease payments over the lease terms. ARF has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted-average discount rate applied to calculate lease liabilities was 5.08% for financing leases.

As of December 31, 2025, the weighted-average remaining lease terms for ARF's financing leases was approximately 4.6 years.

Cash paid for the financing leases for the year ended December 31, 2025 was $3,555. There were no noncash investing and financing transactions related to leasing.

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(10) Leases (continued):

Future maturities of lease liabilities are presented in the following table, for the fiscal years ending December 31:

Years Ending December 31,	Amount
2026	$ 3,823
2027	2,373
2028	1,647
2029	1,647
2030	1,647
Thereafter	1,236
	12,373
Less: discount to present value	(1,267)
Total lease liabilitity	$ 11,106

(11) Employee retention credit:

The CARES Act provides an employee retention credit ("ERC"), which is a refundable tax credit against certain employment taxes of up to $5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during all quarters, capped at $10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extended and slightly expanded the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages ($7,000 per employee, for eligible employers) paid to employees during a quarter, and the limit on qualified wages per employee has been increased to $10,000 of qualified wages per quarter. ARF qualifies for the tax credit under the CARES Act. As of December 31, 2025 and 2024, ARF has a $0 and $78,974 receivable balance, respectively.

(12) Line of credit:

ARF has an operating line of credit agreement with a financial institution, which provides for maximum borrowings of $2,000,000. Borrowings under this line bear interest at prime rate less 1%. The prime rate as of December 31, 2025 and 2024 was 6.75% and 7.50%, respectively. Borrowings are collateralized by the assets of ARF. As of December 31, 2025 and 2024, $0 and $0, respectively, was outstanding on this line of credit. Interest expense related to the line of credit for the years ended December 31, 2025 and 2024 was $0 and $39,029, respectively.

(13) Construction project loan:

In December 2022, ARF entered into a draw down bridge loan with a financial institution, which provides for maximum borrowings of $3,000,000 to bridge the timing gap between the collections of capital campaign pledges. Borrowings under this loan bore interest at a floating rate of prime minus 50 basis points with a floor of 5.75%. Borrowings were collateralized by the assets of ARF. The bridge loan was closed during the year and can no long be drawn upon. The outstanding loan principal as of December 31, 2025 and 2024 was $0 and $502,003, respectively.

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(14) Net assets with donor restrictions:

Purpose and time restricted net assets are available for or relate to the following purposes:

	2025	2024
Vandivert Fund	$ 140,000	$ 140,000
PUP program	73,592	64,963
Capital Campaign	50,000	1,125,000
Sampson mortgage receivable	-	7,236
	$ 263,592	$ 1,337,199

ARF has restricted funds held in perpetuity, the principal of which is restricted by the donors. Under the terms of the restriction, ARF can use the investment income for program and general operating expenses.

ARF has interpreted the New York Prudent Management of Institutional Funds Act ("NYPMIFA") as allowing it to appropriate for expenditure or accumulate so much of an endowment fund as is determined prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets of a donor-restricted endowment fund shall be donor-restricted assets until appropriated by ARF. ARF classifies the original value of gifts donated to the endowment as net assets with donor restriction in perpetuity. The remaining portion of a donor restricted endowment fund is classified as net assets with donor restrictions until appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA. Management has interpreted state law to permit prudent spending from underwater endowments.

ARF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to protect the original value of the gift.

Restricted in perpetuity net assets are restricted to:

	2025	2024
ARF Endowment Fund	$ 1,000,000	$ 1,000,000

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or applicable law requires ARF to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2025 and 2024.

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

(15) Retirement plan:

During January 2009, ARF started a 401(k) plan for its employees. All employees are eligible after 6 months of service to make contributions to the plan; however, employees over 21 years of age, who have completed 6 months of service, are eligible to receive employer contributions. ARF contributes a non-discretionary dollar for dollar up to 4%, vested immediately. For the years ended December 31, 2025 and 2024, ARF incurred 401(k) match expenses of $55,029 and $50,980, respectively. These amounts are included in employee benefits in the Statements of Functional Expenses.

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(16) Concentrations of risk:

ARF maintains cash and investments in several bank accounts which are insured by the Federal Deposit Insurance Corporation ("FDIC") and the Securities Investor Protection Corporation ("SIPC"). From time to time, ARF may have cash on deposits with financial institutions that are in excess of FDIC and SIPC limits. ARF has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. As of December 31, 2025 and 2024 cash in excess of federally insured limits totaled $2,787,950 and $1,250,851, respectively.

(17) Subsequent events:

ARF has evaluated subsequent events through August 1, 2026, which is the date the financial statements were available to be issued. Based on this evaluation, ARF has determined there are no matters which require disclosure in the financial statements.